Update on Stabilizing Pay

Senate Standing Committee on National Finance (NFFN)

April 3, 2019
Where we were: 2016 Phoenix go-live

• New pay model:
  – Required more self-service from employees and managers, and relied on direct data entry from human resources systems - implications were not well understood;
  – New technical system for all organizations;
  – For 46 organizations, a new service delivery model (i.e. Pay Centre), the remainder relying on internal compensation capacity;
  – An inherited case backlog of some 80k cases, and some $70M in overpayments.

• System:
  – Incomplete testing and integration with 32 HR systems and the pension system, resulting in frequent pay run errors;
  – System scope reduced from original plan; some elements added after go-live.

• Adverse impact on employees:
  – Incorrect or missing pay for many employees; significant negative impact on morale;
  – Reduced capacity to serve employees, with fewer compensation advisors, less experienced, not fully trained or supported;
  – Processing pay by transaction, instead of by person.
What has been done since?

• Governance and engagement for improved decision-making, oversight and transparency:
  – Measures implemented to build on “lessons learned” reports, including the establishment of Ministerial and senior official committees for strategic oversight;
  – Regular public reporting and consultations with departments and agencies, unions and employees;
  – Responses to Parliamentary committee reports and four Auditor General reports.

• Capacity to improve processing of pay and service for employees:
  – Added 1300 staff as new compensation capacity;
  – Created a Client Contact Centre with 200 employees;
  – Provided $25 million in support for departments and agencies.

• Changes to the technical system to incrementally help stabilize it:
  – Over 2000 system changes, fixes and enhancements have been implemented.

• At the same time, addressing operational challenges:
  – In the process of implementing collective agreements for 99% of the core public administration and for separate agencies;
  – Parental and disability leave processed within service standards 91% of the time; an average of 79% of students paid on time between January 1, 2018 and December 31, 2018;
  – Agreement with IBM to manage pay system operations, incidents and other routine matters; additional support being provided by other vendors;
  – Tools and policies established to provide emergency payments and flexibility for repaying overpayments.
Current Status

• **Open pay cases declining incrementally:**
  – As of the end of March 2019, the overall number of active cases at the Pay Centre was 437,000 a decrease of 31% since January 2018.
  – Many departments and agencies not served by the Pay Centre are seeing a decrease in their backlogs as well.

• **Collective Agreement implementation advanced but not completed:**
  – Currently 110 Treasury Board Secretariats and separate employer’s agreements that have been processed.
  – Represents payments to approximately 345,000 employees and more than $1.6 billion.
  – Negotiated and legislated deadlines have not been met resulting in several policy grievances and unfair labour practice complaints.

• **New Pod model for pay operations, focused on employees:**
  – As of March 2019, Pay Pods implemented for 34 departments and agencies, representing approximately 154k employees or 70% of Pay Centre clients.
  – Pay Centre employees engaged, motivated and innovative.

• **Client Contact Centre providing satisfactory service:**
  – Average overall client satisfaction of 86% in February 2019.

• **Change management for an incremental culture shift:**
  – Advancing change management, adopting and disseminating departmental ideas and best practices; deepening bilateral engagement.

*Seeing progress but not quickly enough...*
Defining the Stages of Stabilization

We are moving incrementally to a steady state, but not there yet…..

**Crisis**
- Every pay run produces issues.
- Service standards not met and pay actions are unpredictable.
- Many large impact financial situations with many employees.
- Large percentage of employees have pay issues.

*Comparable to the situation in February 2016*

**Balance**
- Fewer issues per pay run.
- Service standards not met but some pay actions more predictable.
- Large impact financial situations reduced.
- Large percentage of employees have pay issues.

*Some transactions start to become more accurate and predictable*

**Improved**
- Occasional pay run issues.
- Some service standards met; others predictable.
- Occasional high impact financial situations but impact is mitigated.
- Smaller percentage of employees have pay issues.
- Definite reduction of backlog cases.

*More predictable and accurate pay for a variety of transactions*

**Steady State**
- Pay run has few issues.
- Service standards are met.
- Very few high impact financial situations.
- Very few employees have pay issues.

*Stable, accurate and timely pay and benefits*
Priority Activities

- Complete **transition to the new Pod model** for the final Pay Centre client departments by May 2019.

- Seek **innovative approaches**, including on reducing the queue, automation, and training, and identify fixes with advice from Oracle, IBM and departments and agencies.

- **Standardize and improve processing** to reduce errors and time required for manual intervention.

- Continue to **improve human resources and pay data** integrity and reporting.

- Seek **leadership of departments and agencies** in managing change, preventing additions to the queue, and ensuring timely and accurate HR information.